



# **DIHLABENG LOCAL MUNICIPALITY**

**ANNUAL BUDGET DOCUMENTATION MARCH 2020**

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### ANNUAL BUDGET

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## **PART 1**

### **1. Resolutions**

It is recommended to Council,

- (a) that the Budget Documentation, as set out in APPENDIX 1, be approved for publication;
- (b) that the Draft Annual Budget Tables as prescribed by the Budgeting and Reporting Regulations, as set out in APPENDIX 2, be approved for publication;
- (c) that the Service Level Charter as per MFMA Budget circular 72 and 75 as set out in APPENDIX 3, be approved for publication;
- (d) that the proposed draft rates on properties, tariffs, tariff structures and service charges for water, electricity, refuse, sewerage and other municipal services, as set out in APPENDIX 4 , be approved for publication;
- (e) that the revised budget related policies as set out in APPENDIX 5, be approved for publication;
- (f) that the procurement plan as per MFMA budget circular 94, as set out in APPENDIX 6, be approved for publication; and
- g) that the quality certificate as set out in APPENDIX 7, be noted.

## 2. Executive Summary

In the 2019 Medium Term Budget Policy Statement (MTBPS) tabled by the Minister of Finance on 30 October 2019, he stated that, he is tabling the 2019 MTBPS in a difficult global and domestic environment. The global growth forecast for 2019 is the lowest since the 2008 financial crisis, weighed down by mounting trade tensions and political uncertainty. Economic activity in two engines of the world economy, namely China and India, is also slowing this year. Policy makers have taken a number of steps to support growth, but there is a risk that these measures will create new vulnerabilities, as interest rates in advanced economies decline. About a quarter of government bonds in these countries have negative yields.

In South Africa, economic growth has continued to stagnate and weaknesses in the world economy are likely to amplify our own challenges. The discussion paper termed the Economic transformation, inclusive growth, and competitiveness released by the National Treasury has proposed a number of economic reforms that might boost GDP growth over the medium and longer term, and support increased investment and job creation. These measures have been broadly agreed on within government. The next step is to implement the reforms urgently. Nevertheless, the economy has continued to weaken with the economic growth projected to grow at 1.2 per cent in the 2020/21 financial year, while long term estimates have fallen prompting government to review its outer year's estimates.

In addition to low growth, South Africa's biggest economic risk is Eskom. Ongoing problems with the utility's operations continue to disrupt the supply of electricity to households and businesses. Government has allocated significant resources to assist Eskom. With the immediate financial restraints lifted, the focus must be on operational problems and restructuring Eskom into three separate entities. Doing so will mark the beginning of a transition to a competitive, transparent and financially viable electricity sector.

South Africa's public finances deteriorated over the past decade; a trend that accelerated in recent years as low growth led to large revenue shortfalls. For 10 years, the country has run large budget deficits. This has put us deeply in debt, to the point where interest payments have begun crowding out social and economic spending programmes. This cannot be sustained.

Municipal governments face multiple pressures over the period ahead with local government expected to expand access to free basic service to poor households, while ensuring that those who can afford to pay for services do so.

The 2020 MTEF includes large reductions in planned transfers to municipalities. The implication of these reductions is that municipalities will be required to reprioritise projects. Larger reductions in grants are mainly affecting urban municipalities which have the capacity to offset the effects of these cuts from their own revenue investments.

The 2019 Medium Term Budget Policy Statement (MTBPS) projects transfers for local government for the 2020 MTREF at R397 billion, of which 62.2 per cent comprise unconditional allocations while the remainder is conditional grant funding. The allocations for local government over the medium term represent 8.6 per cent of non-interest expenditure and a slight decrease from the 8.9 per cent realised in the 2018 budget.

The equitable share and the allocation of the general fuel levy to local government constitutes unconditional funding. Municipalities are reminded that this funding allocation is formula driven and designed to fund the

provision of free basic services to disadvantaged communities. Conditional grant funding must be utilised for the intended purpose within the timeframes, as specified in the annual Division of Revenue Bill. Monies not spent must be returned to the fiscus and requests for roll-overs will only be considered in extenuating circumstances.

Government is also working with municipalities to increase their revenue raising potential. The Municipal Fiscal Powers and Functions Amendment Bill, which will be tabled shortly, will standardise the regulation of development charges. Development charges are the mechanism by which municipalities recover the capital costs of connecting new developments to infrastructure for water, roads, electricity and other services. Currently, these charges are frequently below cost, so municipalities effectively subsidise the provision of infrastructure to businesses and other developments, reducing their ability to subsidise infrastructure directly for lower-income residents.

The change could increase municipal revenues for capital spending by an estimated R20 billion a year. Several efforts are also under way to improve the effectiveness of transfers to rural municipalities. The possibility of using municipal infrastructure grant funds to buy waste management vehicles, which must be purchased through a contract facilitated by the National Treasury to minimise costs, is being investigated to expand services in rural areas. Funds may be reprioritised between water and sanitation grants to accelerate the completion of regional bulk water schemes.

The Department of Energy will complete an electrification master plan to guide the future allocation of funds between the Eskom, municipal, and non-grid components of the Integrated National Electrification Programme. The Department of Transport will establish a national database for all road traffic and condition data to inform the prioritisation and monitoring of road maintenance across all roads.

The main challenges experienced during the compilation of the 2020/20121 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;

- Aging infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity, which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Reductions in allocations of National and Provincial grants due to a worsening fiscal outlook; and
- Limited resources to deal with all key priorities.

The following budget principles and guidelines directly informed the compilation of the 2020/21 MTREF:

- Integrated Development Plan was used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be as affordable as possible and should ideally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality. However, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- National, provincial and local priorities;
- Headline inflation forecasts; and
- Funding choices and modelling.

The municipality's revenue strategy was based on the following fundamentals:

- Tariff policies of the municipality;
- Economic outlook and development for Dihlabeng and surrounding areas;
- Cost containment measures;
- National Treasury's guidelines and macroeconomic policy;
- National, Provincial and Regional fiscal growth rates; and
- Electricity tariffs as approved by National Electricity Regulator of South Africa (NERSA)

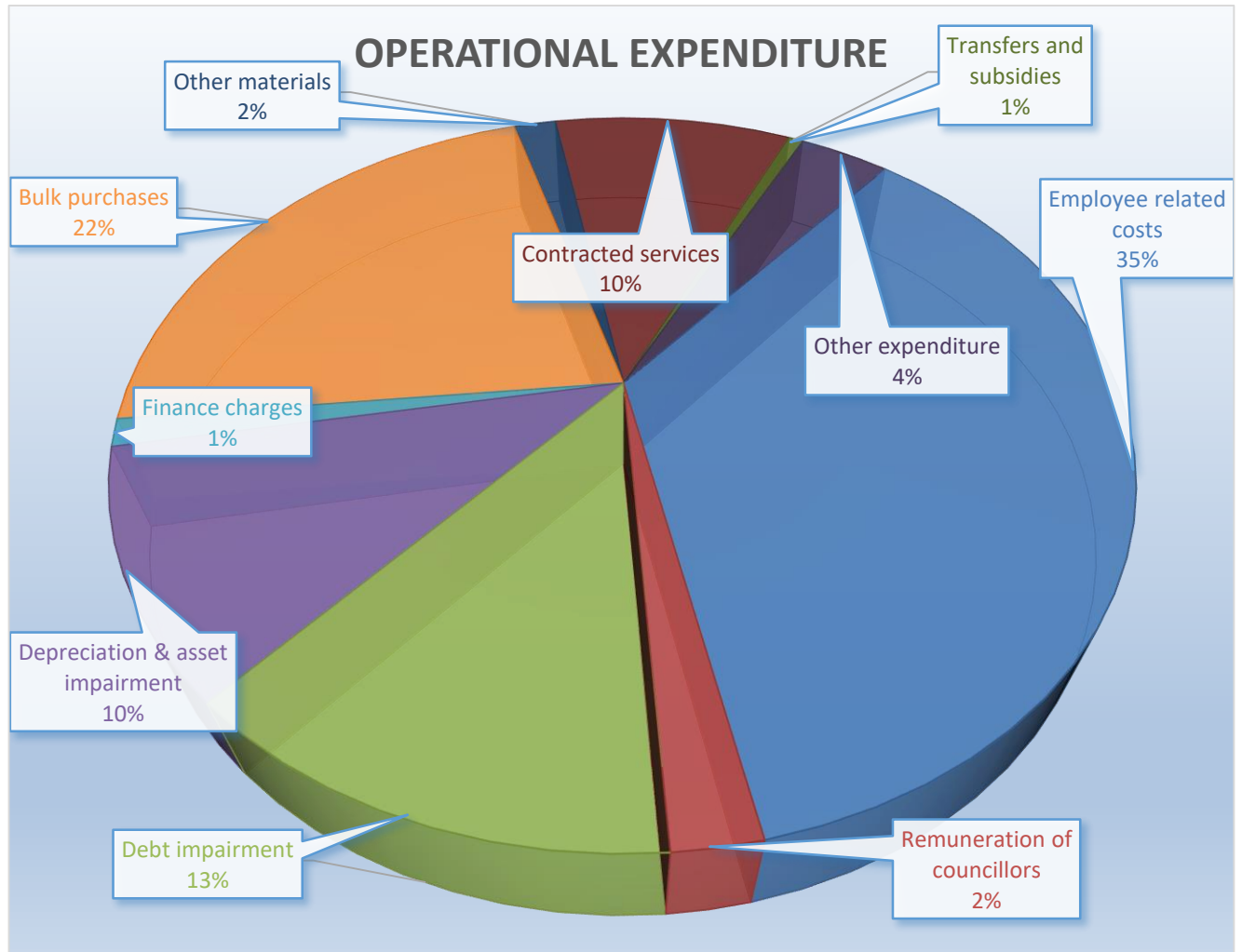
The financial resources to fund the Operational Budget will and must consist of realistically anticipated revenue generated from property taxes, service charges and other income.

**The total budget quantum for the 2020/2021 year is R 888 065 974, of which R 798 951 237 (90%), is allocated to the operating budget and R 89 114 737 (10%) to capital investment.**

**OPERATING EXPENDITURE**

The budget sees an increase in annual operating expenditure from R771 324 704 in 2019/2020 to R 798 951 237 in 2020/2021.

<u>Expenditure By Type</u>	<u>19/20 FY</u>	<u>20/21 FY</u>	<u>% Change</u>
Employee related costs	266 203 821,00	284 162 340,00	6,75%
Remuneration of councillors	16 829 361,00	17 832 912,00	5,96%
Debt impairment	135 111 546,00	101 367 935,00	-24,97%
Depreciation & asset impairment	78 991 057,00	84 263 291,00	6,67%
Finance charges	24 960 000,00	9 752 000,00	-60,93%
Bulk purchases	141 189 000,00	176 550 000,00	25,05%
Other materials	14 087 610,00	13 756 799,00	-2,35%
Contracted services	62 721 799,00	77 641 659,00	23,79%
Transfers and subsidies	2 303 000,00	4 620 000,00	100,61%
Other expenditure	28 927 510,00	29 004 301,00	0,27%
	<b>771 324 704,00</b>	<b>798 951 237,00</b>	



### **Employee Related costs**

The South African Local Government Bargaining Council approved a salary increase of 6,25% for the financial year 20/21. All benefits attached to service would also increase with same.

### **Remuneration of Councillors**

The Remuneration of Councillors is based on the Government Gazette on the Remuneration of Public Office Bearers Act. The increase is capped at 6%

### **Depreciation**



For the 20/21 financial year, capital investment constitutes only 12% of the total budget, which is higher than the historic norm. The municipality depreciates its assets using straight line method and therefore the 6,7% increase is deemed sufficient.

### **Finance Charges**

The municipality is not intending on taking any credit facility and therefore, the interest portion of the DBSA liability is on a descending basis. It is also anticipated that due to a contracting economy, it is expected that the SARB will decrease the interest rates to improve the economy growth rate.

### **Bulk Purchases**

The National Energy Regulator of South Africa (NERSA) is responsible for price determination of the bulk costs for electricity. However, there has not been any determination by NERSA since the impasse around Eskom's application. While the court case between NERSA and Eskom is still pending, municipalities were advised through budget circular 99 to increase the bulk tariff by 8,1%.

The reduced budget amount on bulk purchases was a result of transfer of funds from bulk purchases to accommodate service delivery emergencies in the 19/20 financial year.

### **Other Materials**

Variance within 10%.

### **Contracted Services**

The single major contributor of the significant increase is the security service contracted services. The municipality has advertised

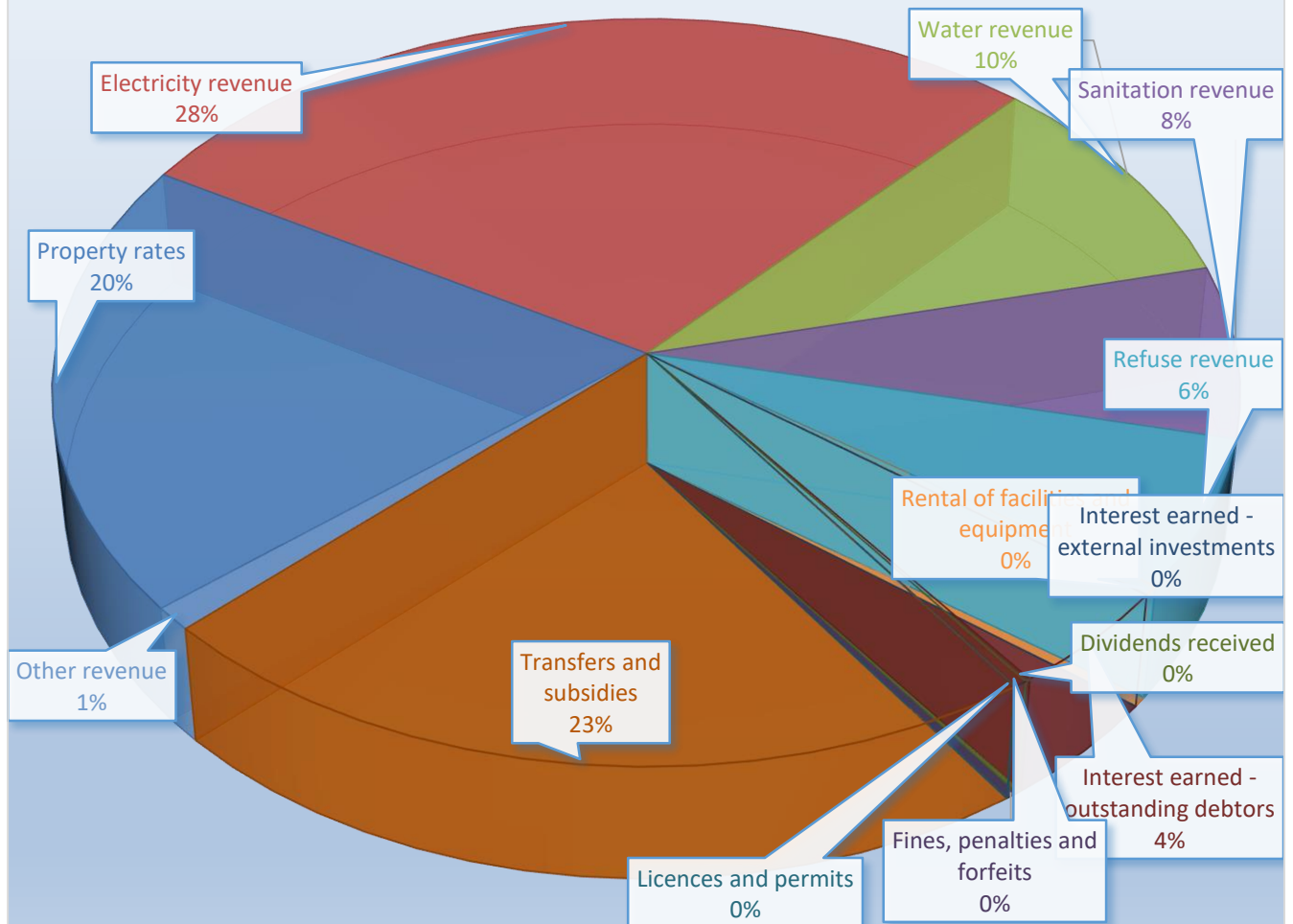
### **Other Expenditure**

Variance within 10%.

**OPERATING REVENUE**

<b><u>Revenue By Source</u></b>	<b><u>19/20 FY</u></b>	<b><u>20/21 FY</u></b>	<b><u>% Change</u></b>
Property rates	153 341 804,00	160 262 312,00	4,51%
Service charges - electricity revenue	222 050 000,00	230 353 000,00	3,74%
Service charges - water revenue	73 100 000,00	77 486 000,00	6,00%
Service charges - sanitation revenue	57 402 060,00	60 846 184,00	6,00%
Service charges - refuse revenue	52 222 254,00	52 475 589,00	0,49%
Rental of facilities and equipment	3 072 471,00	3 196 819,00	4,05%
Interest earned - external investments	200 000,00	212 000,00	6,00%
Interest earned - outstanding debtors	33 648 341,00	36 267 242,00	7,78%
Dividends received	10 100 000,00	1 050 000,00	-89,60%
Fines, penalties and forfeits	2 280 779,00	2 611 626,00	14,51%
Licences and permits	140 000,00	148 400,00	6,00%
Transfers and subsidies	171 097 000,00	183 771 000,00	7,41%
Other revenue	7 085 804,00	8 318 874,00	17,40%
	<b>785 740 513,00</b>	<b>816 999 046,00</b>	

## OPERATIONAL REVENUE



**Service Charges: Electricity**

NERSA has not yet published guidance on the exact tariffs for the 2020/21 municipal financial year. National Treasury's advice to municipalities is to prepare scenarios for electricity price increases in 2020/21 of between about 7 per cent and 15 per cent to account for the difference in financial years and the potential outcomes of the court case.

The electricity tariff will increase by 8.1% and the 3.7% increase is reduced by decreased consumption. With the ever escalating price increases and projected load shedding, consumers are resorting to alternative energy resources, which will bring down the electricity consumption low.

**Service Charges: Water**

The 6% increase is aligned to consumer price inflation indication. The increase is based on both the tariff and units consumed.

**Service Charges: Refuse**

Based on the 19/20 midyear assessment, it was determined that the income from refuse charges was overstated. The 0.5% increase is to bring it into alignment.

**Service Charges: Sewer**

The 6% increase is aligned to consumer price inflation indication. The increase is based on both the tariff and units consumed.

**Property Rates**

The 4.5% increase is within the prescribed 6% consumer price inflation indication.

**CAPITAL EXPENDITURE**

Capital investments is summarized as follows:

**Capital Expenditure**

Infrastructure Projects	72 667 000,00
Transport Assets	15 572 500,00
Machinery and Equipment	625 237,00
Furniture and Office Equipment	250 000,00
	<hr/>
	<b>89 114 737,00</b>
	<hr/>

The projects to be undertaken by the municipality are as follows:

- Bakenpark Ext. 5 Electrification Phase 2
- Fateng tse Ntsho: Construction of sports facility
- Mashaeng: Upgrading of the Sewage and 2.2ML Waste Water Treatment works
- Paul Roux/Fateng-tse-Ntsho: Construction of 1.4km block paved road and storm water channels
- Kgubetswana: Construction of 1.6km block paved road and storm water channels
- Mautse: Installation of water network for 1000 sites
- Mautse: Installation of sewer network for 1000 sites
- Mautse/Rosendal: Construction of a new cemetery
- Bohlokong (Nkitsing): Reconstruction of 3.5km tarred road to blocked paved road
- Mashaeng: Construction of 0,6km blocked paved roads and Storm water channel
- Bethlehem Waste Water Treatment Works
- Upgrading of Caledon River Abstraction Point

### 3. High Level Budget Summary

<u>Vote</u>	<u>Operating Expenditure</u>	<u>Capital Expenditure</u>	<u>Total Expenditure</u>
Corporate Services	54 152 915,00	85 237,00	54 238 152,00
Municipal Manager	121 465 231,00	140 000,00	121 605 231,00
Political Office	46 873 149,00	90 000,00	46 963 149,00
Finance	101 512 351,00	10 080 000,00	111 592 351,00
Public Works	398 555 339,00	77 417 000,00	475 992 339,00
Community Services	64 719 657,00	1 212 500,00	65 932 157,00
Local Economic Development	11 672 595,00	90 000,00	11 762 595,00
	<b>798 951 237,00</b>	<b>89 114 737,00</b>	<b>888 065 974,00</b>

#### 4. Annual Budget Tables

In accordance with the Budget and Reporting Regulations, the following compulsory schedules are attached reflecting the composition and detail of the adjustments budget:

Table name	Table reference
Budget Summary	A1
Financial Performance by standard classification	A2
Financial Performance by vote	A3
Financial Performance	A4
Capital Expenditure by vote and funding	A5
Financial Position	A6
Cash Flows	A7
Cash backed reserves/ Accumulated surplus reconciliation	A8
Asset Management	A9
Basic Service Delivery Measurement	A10

The other supporting schedules (SA1 – SA38) are attached on Appendix 2 In accordance with the Budget and Reporting Regulations.

## PART 2

### 5. Overview of Dihlabeng Municipality

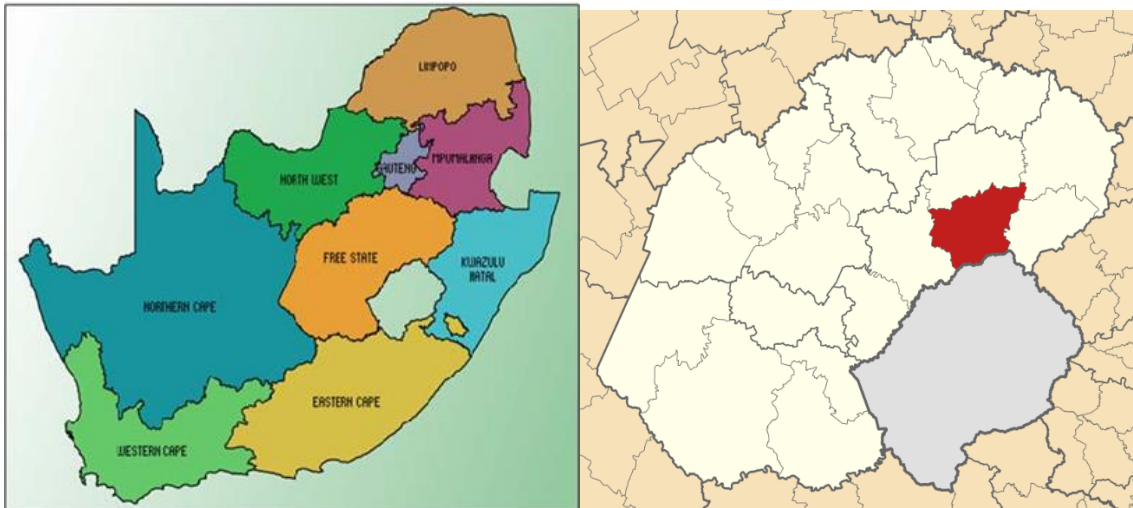
#### *Spatial Rationale / Geographic Location*

The Dihlabeng Local Municipality, amongst the Local Municipalities of Setsoto, Phumelela, Maluti a Phofung, Mantsopa and Nketoana falls within the Thabo Mofutsanyana District Municipality, along the eastern boundry of the Free State Province. The total extent of Thabo Mofutsanyana District Municipality covers 28 347km<sup>2</sup> in the extent of which Dihlabeng Local Municipality takes up 4 739km, which represents 17% of the District.

The Dihlabeng Local Municipality comprise of a large rural component together with the presence of five (5) urban concentrations, which is briefly explained as follows:

Bethlehem/Bohlokong, Clarens/Kgubetswana, Fouriesburg/Mashaeng, Paul Roux /Fateng tse Ntsho and Rosendal/Mautse.

**Map 1: AREA LOCATION AND PROVINCIAL CONTEXT**



**Map 2: AREA LOCATION – REGIONAL CONTEXT**





#### **Bethlehem/Bohlokong**

Bohlokong can be viewed as the “Capital” of the Eastern Free State and is situated approximately 240km north-east of Bloemfontein, 140km east of Kroonstad and 90km west of Harrismith. The town forms part of the Highland Route and is located 80km from Qwa Qwa and 60km from the Golden Gate Highlands. The town originally developed as a service Centre. Growth is stimulated by the strategic location of the area that presently serves as a central regional center. This is attributed to the fact that the area is situated adjacent to the N5 National Road between Bloemfontein and Durban. Bethlehem/Bohlokong is also directly linked to other towns such as Kroonstad, Reitz, Warden and Ficksburg. The accessibility of the town is further emphasized by the prominence of the railway station at the Kroonstad /Durban and Bloemfontein/Frankford railway intersection in the urban area.

#### **Clarens/ Kgubetswana**

The scenic town of Clarens/ Kgubetswana, often referred to as the “Switzerland of South Africa” is situated approximately 34km south east of Bethlehem. Clarens/ Kgubetswana is 20km from Golden Gate Highlands. This urban area is situated 10km from the Lesotho border and has a splendid view of the Maluti Mountains. The past few years experienced a rapid growth in the tourist industry. The urban area and surroundings is known for its “art and craft” route in the picturesque sandstone Rooiberg and the Maluti Mountains.

#### **Paul Roux/ Fateng tse Ntsho**

Paul Roux/ Fateng tse Ntsho is situated 35km west of Bethlehem. This urban area is located in an area of agricultural significance and mainly provides services in this regard to the surrounding rural areas. Bethlehem influences the area to a great extent as a larger service centre in close proximity.

#### **Fouriesburg/ Mashaeng**

Fouriesburg/ Mashaeng is situated on the R26 route and is close proximity of Lesotho. The town's location in relation to other major centers is as follows: 49km from Bethlehem and 46km from Ficksburg. Situated within the former Fouriesburg District, this urban area is predominantly the function of a small service center to the surrounding agricultural communities. This primary function is being supported by tourism as the latter industry is starting to gain momentum in the eastern Free State.

### Rosendal/ Mautse

Rosendal/ Mautse is approximately 60km South West of Bethlehem. 40km South East of Senekal and 40km North of Ficksburg. The town is located in an area of agricultural significance and mainly provides services in this regard to the surrounding rural areas, together with a growth in tourism.

## 3.2 DEMOGRAPHIC PROFILE OF THE MUNICIPALITY

### 3.2.1 POPULATION

The Dihlabeng Local Municipal community comprises of approximately 128 704 individuals and 38 593 households according to the Statssa 2011 Census. The 2016 community survey shows an increase in population where we have noticed that there are 140 044 people and 46 857 households.

**Table 12: POPULATION OF THE MUNICIPALITY**

TOTAL POPULATION						
Municipality	2011			2016		
	Male	Female	Total	Male	Female	Total
Setsoto	52 633	59 64	112 597	55 537	62 095	117 632
Dihlabeng	61 153	67 551	128 704	67 562	72 482	140 044
Nketoane	28 611	31 713	60 324	31 142	33 751	64 893
Maluti a phofung	153 20	182 575	335 784	161 275	192 177	353 452
Phumelela	23 162	24 611	47 772	24 700	25 345	50 054
Mantsopa	24 402	26 654	51 056	25 943	27 583	53 525
Thabo Mofutsanyana	343 170	393 068	736 238	366 168	413 432	779 600

*Statssa: Community Survey 2016*

### THE DIHLABENG POPULATION BY AGE PER WARD

AGE	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
0-4	667	518	596	730	644	726	572	607	238	242	1081	1231	391	661	742	528	833	629	1345	805
5-9	586	480	556	623	519	680	507	519	204	270	943	1146	380	569	678	508	734	522	1253	718
10-14	532	432	583	575	452	627	473	455	217	301	806	1141	301	641	685	390	665	625	1125	652
15-19	491	422	504	580	469	585	535	486	208	256	744	925	305	525	631	497	670	650	1182	571
20-24	486	418	489	596	545	750	522	533	284	232	991	797	316	606	682	610	768	668	1082	705
25-29	569	455	520	687	536	629	505	649	297	277	867	792	261	607	576	717	606	730	1068	816
30-34	520	389	503	562	426	530	435	564	268	252	698	762	235	472	440	578	487	615	824	857
35-39	453	360	533	401	342	514	290	486	229	339	567	536	169	345	374	437	395	555	856	724
40-44	399	376	508	365	269	542	278	351	226	288	522	370	192	330	385	382	338	485	752	422
45-49	324	294	425	325	308	336	323	287	169	309	538	326	118	347	324	284	339	505	621	378
50-54	271	215	380	305	206	310	311	259	180	299	513	297	122	274	233	229	277	408	392	308
55-59	213	161	308	246	112	222	213	189	117	242	419	247	113	253	240	163	299	434	297	276
60-64	208	136	275	167	111	154	134	160	109	216	297	232	132	183	206	146	190	333	181	267
65-69	144	100	185	76	50	98	82	109	83	172	189	147	83	113	154	94	143	200	129	144
70-74	111	95	111	37	47	75	52	60	85	121	108	126	51	103	105	70	100	143	93	107
75-79	74	53	96	31	41	48	32	49	49	78	83	86	53	86	74	47	73	82	70	76
80-84	49	34	68	21	12	39	14	34	26	48	47	56	26	33	48	24	48	87	36	40

# DIHLABENG MUNICIPALITY DRAFT ANNUAL BUDGET - MARCH 2020

85+	35	27	55	14	9	18	22	23	26	19	53	55	25	28	35	25	48	41	29	39
<b>TOTAL</b>	<b>6132</b>	<b>4965</b>	<b>6694</b>	<b>6341</b>	<b>5097</b>	<b>6882</b>	<b>5300</b>	<b>5821</b>	<b>3016</b>	<b>3960</b>	<b>9464</b>	<b>9273</b>	<b>3276</b>	<b>6177</b>	<b>6611</b>	<b>5727</b>	<b>7014</b>	<b>7713</b>	<b>11336</b>	<b>7905</b>

Statssa: Census 2011

## DIHLABENG PERSON INDICATORS

Total Population 2011, Census			Youth (15-34 years)			Youth Proportion	Person aged 20 years+ who have completed grade 12
Male	Female	Total	Male	Female	Total	35.7	28 285
61 153	67 551	128 704	22 662	23 233	45 895		
Total Population 2016, Community Survey			Youth (15-34 years)			Youth Proportion	Person aged 20 years+ who have completed grade 12
Male	Female	Total	Male	Female	Total	39.5	36 938
67 562	72 482	140 044	27 73	27 549	55 288		

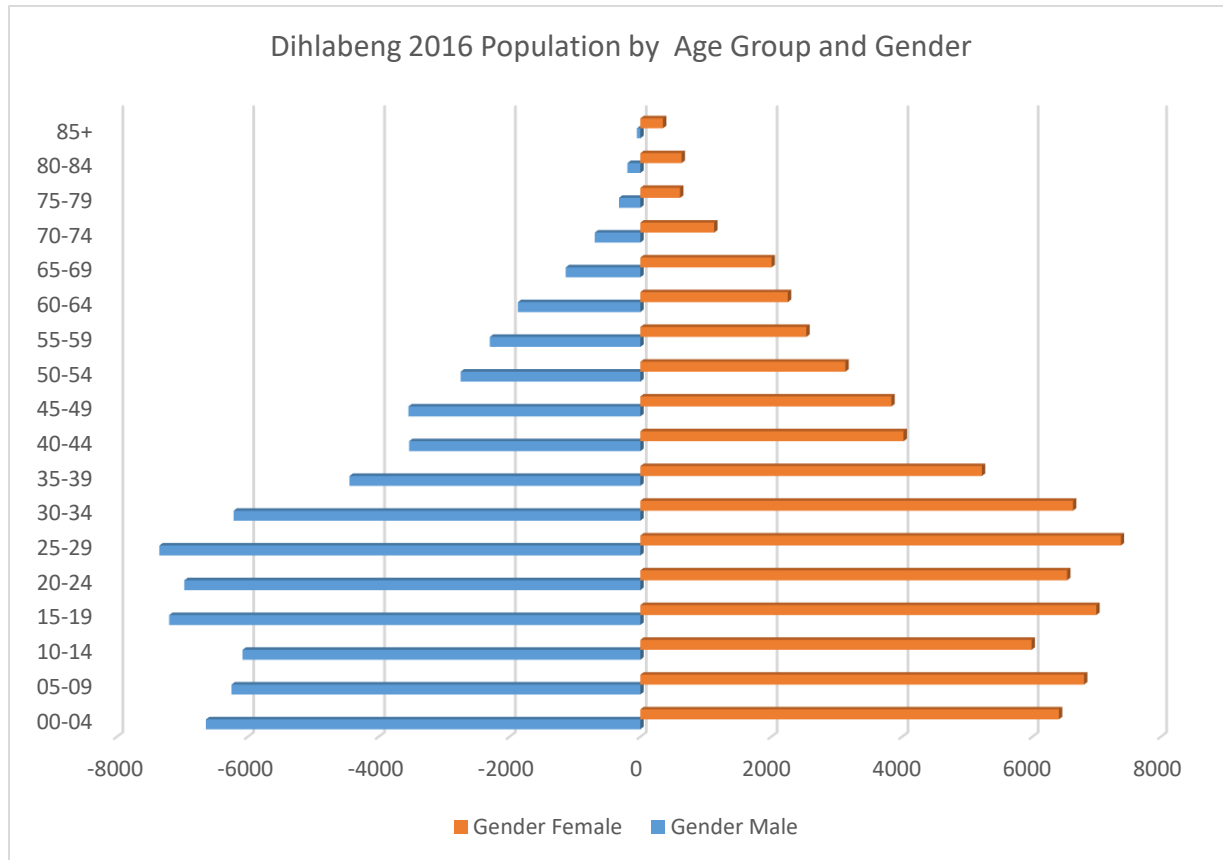
Statssa: Community Survey 2016

## POPULATION GROUP BY AGE

POPULATION GROUPS	AGE GROUPS						TOTAL		DEPENDENCY RATIO	
	0 - 14		15 - 64		65 +					
	2011	2016	2011	2016	2011	2016	2011	2016	2011	2016
Black African	34837	36031	72833	39893	4867	8636	112537	84560	54,5	
Coloured	509	359	1407	465	73	145	1990	969	41,4	
Indian or Asian	119	93	474	215	10	-	603	308	27,2	
White	2357	1693	8940	3734	2029	2479	13326	7906	49,1	
Other	39	-	198	-	11	-	248	-	25,3	
Total	37861	38176	83852	44307	6990	11260	128704	93743	53,5	

Graph 1:

## DIHLABENG 2016 POPULATION BY AGE GROUP AND GENDER



Statssa: Community Survey 2016

#### DIHLABENG LOCAL MUNICIPALITY FERTILITY BY AGE AND POPULATION GROUPS

	POPULATION GROUP				TOTAL
	Black African	Colored	Indian/Asian	White	
05-09	-	-	-	-	-
10-14	14	-	-	-	14
15-19	901	-	-	-	901
20-24	3310	21	-	-	3336
25-29	4830	59	-	5	4980
30-34	4735	85	-	92	4887
35-39	4071	69	6	67	4185
40-44	3145	85	-	39	3313
45-49	2855	16	-	82	3037
50-54	386	-	-	76	462
55-59	-	-	-	-	-
TOTAL	24 247	334	6	527	25 114

Statssa: Community Survey 2016

**Table13: IN – MIGRATION OF DIHLABENG BY GEOGRAPHY**

GEOGRAPHY	IN MIGRATION
WESTERN CAPE	462
EASTERN CAPE	533
NORTHERN CAPE	381
KWAZULU NATAL	894

NORTH WEST	304
GAUTENG	1827
MPUMALANGA	379
LIMPOPO	248
OTSIDE SOUTH AFRICA	1256

Statssa: Community Survey 2016

**Table14: NUMBER OF HH REPORTING DEATH BY GENDER OF HOUSEHOLDS ( MORTALITY )**

GENDER OF HEAD OF HOUSEHOLD	DEATH IN HOUSEHOLD		
	YES	NO	TOTAL
MALE	425	27 244	27 669
FEMALE	713	18 474	19 187
<b>TOTAL</b>	<b>1138</b>	<b>45 719</b>	<b>46 857</b>

Statssa: Community Survey 2016

**Table 15: MARITAL STATUS**

MARITAL STATUS	
Married	19 639
Married Traditional/Customary	8 129
Polygamous marriage	122
Living together as married partners	4 184
Never married	62 077
Widower/Widow	2 565
Separated	1 356
Divorced	3 796

Statssa: Census 2011

### 3.2.2 HOUSEHOLD HEADS

In South Africa most of our families are headed by females, but in DLM the census 2011 revealed that majority of households are headed by females.

**Table 16: HOUSEHOLD HEADS**

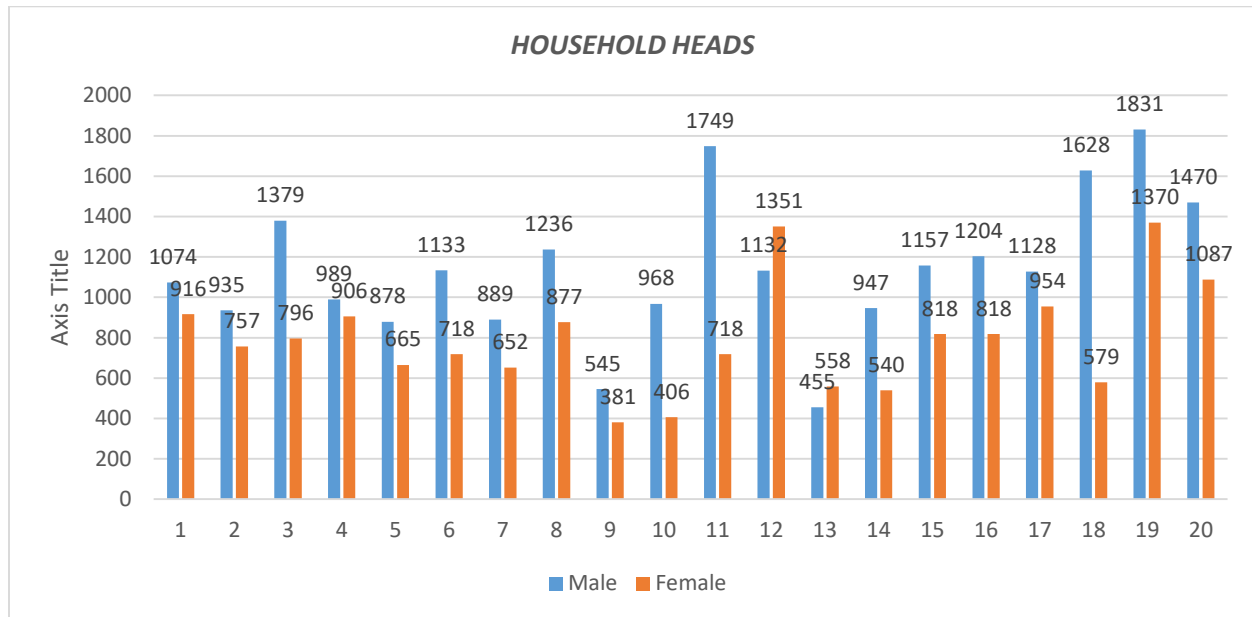
HOUSEHOLDS			
2011		2016	
Total households	Household Size	Total households	Household Size
38 593	3.3	46 857	3.0

Statssa: Community Survey

The above indicates the total population, number of households as well as average household size in Dihlabeng local Municipality between the 2011 and 2016. Although the total population as well as the number of has increased households the average household size has decreased from 3.3 to 3.0 but in principle it remains constant to 3 members per household.

#### HOUSEHOLD HEADS AROUND DIHLABENG

In South Africa most of our families are headed by females, but in DLM the census 2011 revealed that majority of households are headed by males. Graph 2 below indicates the household structure of DLM in 2011 which shows 22 725 household males and 15 867 household females.

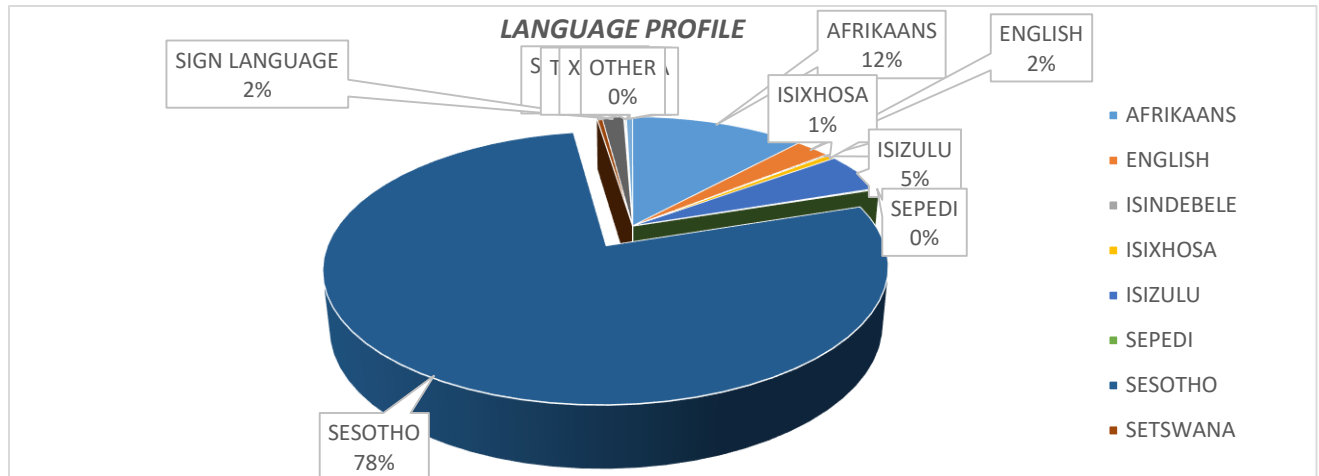
**Graph 2: DIHLABENG HOUSEHOLDS HEADS BY WARDS**

Statssa: Census 2011

### 3.2.3 LANGUAGE PROFILE

From the Census 2011 it was evident that in DLM the most dominant language is Sesotho with 78%, followed by Afrikaans with 12%. Other languages used are spoken by the minority groups in the area.

**Graph 3: LANGUAGE PROFILE IN DIHLABENG**

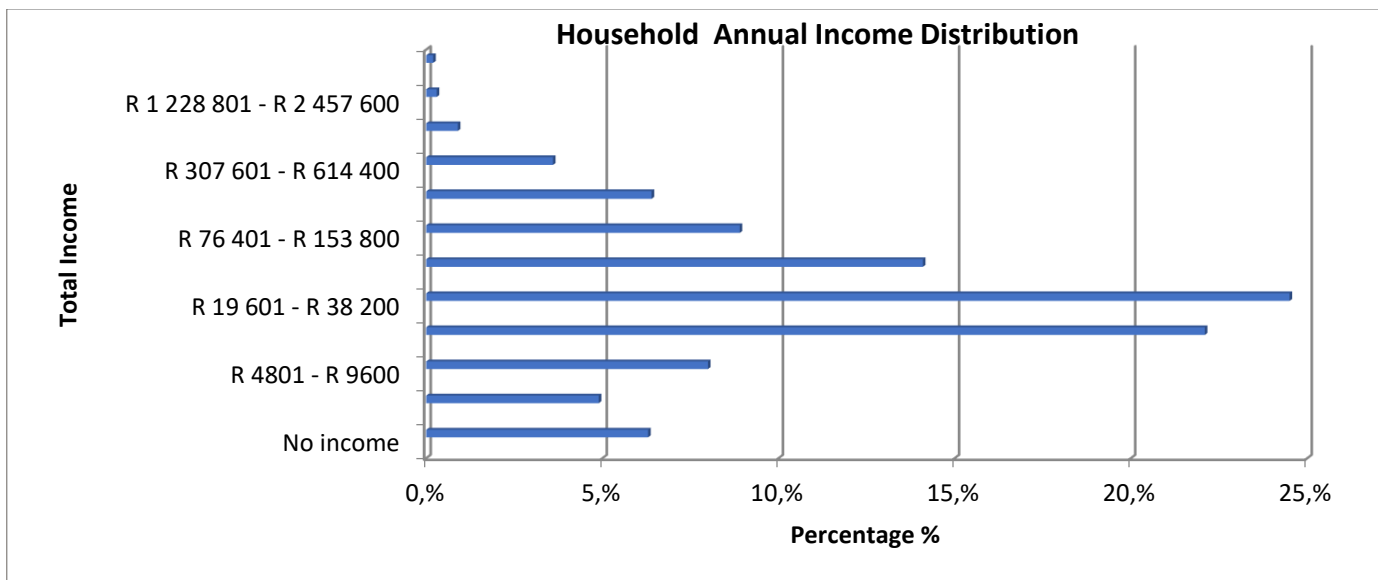


Statssa: Census 2011

### 3.2.4 INCOME DISTRIBUTION

Is evident that the largest portion (25%) of employed adults in Dihlabeng earns between R19 601-38 200. The second most significant income category, of R 9 601-19600 represents 22% of the Dihlabeng working adults.

**Graph 4: INCOME DISTRIBUTION**

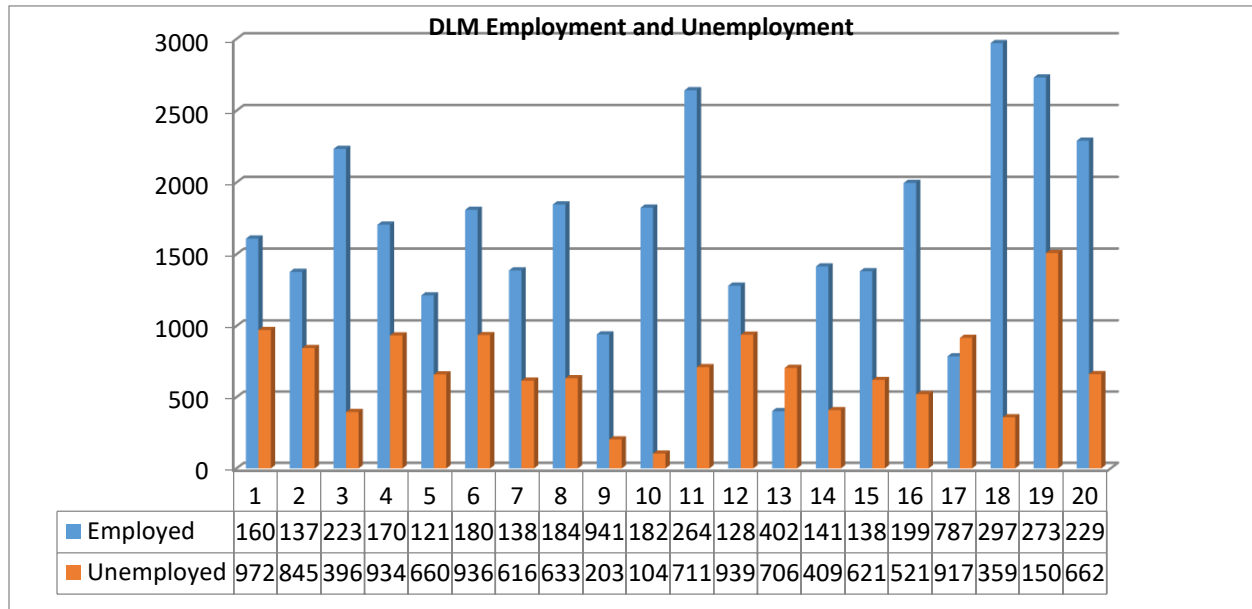


Statssa: Census 2011

### 3.2.5 EMPLOYMENT AND UNEMPLOYMENT

The graph below shows that most people from ward 18 are employed while people from ward 17 are less employed; there is a need for job creation initiatives for Dihlabeng community.

**Graph 5: EMPLOYMENT AND UNEMPLOYMENT RATE**



Statssa: Census 2011

### 3.2.6 POVERTY RATE

#### DIHLABENG HOUSEHOLD INDICATORS

The table below depicts two measures namely the “poverty headcount and the intensity of poverty” the poverty headcount shows the proportion of indicators in which “multidimensional poor” in the defined area “areas with poverty have decreased from 6.1% in 2011 to 5.2% in 2016”. Intensity of poverty is the average proportion of indicators in which multidimensional poor households are deprived, “poor households have increased by 1 %, from 42.3% in 2011 to 42.4% in 2016”.

**TABLE 17: DIHLABENG HOUSEHOLD INDICATORS**

POVERTY				HOUSEHOLDS			
2011		2016		2011		2016	
Poverty headcount	Intensity poverty	Poverty headcount	Intensity poverty	Total households	Household Size	Total households	Household Size
6.1%	42.3%	5.2%	42.4%	38 593	3.3	46 857	3.0

Statssa: Community Survey 2016

### 3.2.7 IMPLICATIONS OF DEMOGRAPHIC PROFILE FOR PLANNING

**Table 18: IMPLICATIONS OF DEMOGRAPHIC PROFILE FOR PLANNING**

DEMOGRAPHIC CATEGORY	CHARACTERESTICS	IMPLICATIONS FOR PLANNING
----------------------	-----------------	---------------------------



Gender Profile	48% Male .52% Female			<ul style="list-style-type: none"><li>• There is a need to increase the representativity of female persons in the workplace and in the social life in the municipality</li><li>• Gender violence must be regarded as a priority issue, with social and economic implications in the municipality's planning system processes.</li></ul>																		
Age Structure	<table><tr><td></td><td>Male</td><td>Female</td></tr><tr><td>Black African</td><td>61083</td><td>65494</td></tr><tr><td>Colored</td><td>690</td><td>917</td></tr><tr><td>Indian</td><td>257</td><td>139</td></tr><tr><td>White</td><td>5532</td><td>5931</td></tr><tr><td>Total</td><td>67562</td><td>72482</td></tr></table>		Male	Female	Black African	61083	65494	Colored	690	917	Indian	257	139	White	5532	5931	Total	67562	72482	<ul style="list-style-type: none"><li>• Special interest groups, with specific references to the youth and the elderly must be given priority in the planning of the municipality.</li><li>• More than 36% of the population is between the ages of 20-39 years; emphasize the importance of local economic development initiatives to create employment opportunities for job seekers.</li></ul>		
	Male	Female																				
Black African	61083	65494																				
Colored	690	917																				
Indian	257	139																				
White	5532	5931																				
Total	67562	72482																				
Population Group				<ul style="list-style-type: none"><li>• Africans constitute more than 90% of the population in the municipal area. This reality must be reflected in a manner in which the municipality is planning. The municipality must prioritize service delivery and economic opportunities.</li></ul>																		
Wards																						
Movement of people In-Migration				<ul style="list-style-type: none"><li>• Agriculture remains the core economic activity in the municipal area, and attracts a lot of job seekers. There is an increase in the total number of household, which cause pressure on infrastructure and the service capacity of the municipality.</li></ul>																		
Language				<ul style="list-style-type: none"><li>• The element of language is extremely important to give practical effect to two of the cornerstone of South African local government dispensation, namely community consultation and customer care.</li></ul>																		

## 6. Legislative Environment

The medium term revenue and expenditure framework for 2018/2019, 2019/2020 and 2020/2021 was compiled in accordance with the requirements the relevant legislation, of which the following are the most important:

- i) the Constitution, Act 108 of 1996
- ii) the Local Government Transition Act, Act 209 of 1993
- iii) the Municipal Structures Act, Act 117 of 1998 iv) the Municipal Systems Act, Act 32 of 2000
- iv) the Municipal Finance Management Act, Act 56 of 2003 In addition to the above, the Municipal Budget and Reporting Framework as approved on 17 April 2009 gave a clear directive on the prescribed reporting framework and structure to be used.

Guidelines issued by National Treasury National Treasury issued the following circulars regarding the budget for 2020/2021:

MFMA Circular No. 99 Municipal Budget Circular for the 2020/21 MTREF – 9 March 2020

MFMA Circular No. 98 Municipal Budget Circular for the 2020/21 MTREF – 6 December 2019

Other circulars used during the compilation of the budget:

MFMA Circular No. 48 Municipal Budget Circular for the 2009/10 MTREF – 2 March 2009

MFMA Circular No. 51 Municipal Budget Circular for the 2010/11 MTREF – 19 February 2010

MFMA Circular No. 54 Municipal Budget Circular for the 2011/12 MTREF – 10 December 2010

MFMA Circular No. 55 Municipal Budget Circular for the 2011/12 MTREF – 8 March 2011

MFMA Circular No. 58 Municipal Budget Circular for the 2012/13 MTREF – 14 December 2011

MFMA Circular No. 59 Municipal Budget Circular for the 2012/13 MTREF – 16 March 2012

MFMA Circular No. 64 Municipal Budget Circular for the 2012/13 MTREF – November 2012

MFMA Circular No. 66 Municipal Budget Circular for the 2013/2014 MTREF – 24 January 2013

MFMA Circular No. 67 Municipal Budget Circular for the 2012/13 MTREF – 12 March 2013

MFMA Circular No. 70 Municipal Budget Circular for the 2014/15 MTREF - 4 December 2013

MFMA Circular No. 74 Municipal Budget Circular for the 2015/16 MTREF - 12 December 2014

MFMA Circular No. 75 Municipal Budget Circular for the 2015/16 MTREF - 04 March 2015

MFMA Circular No. 78 Municipal Budget Circular for 2016/2017 MTREF - 7 December 2015

MFMA Circular No.79 Municipal Budget Circular for 2016/2017 MTREF - 7 March 2016

MFMA Circular No. 85 Municipal Budget Circular for 2017/2018 MTREF - 9 December 2016

MFMA Circular No. 89 Municipal Budget Circular for the 2018/19 MTREF - 8 December 2017

MFMA Circular No. 91 Municipal Budget Circular for the 2018/19 MTREF - 7 March 2018

MFMA Circular No. 93 Municipal Budget Circular for the 2019/20 MTREF - 7 December 2018

MFMA Circular No. 94 Municipal Budget Circular for the 2019/20 MTREF - 8 March 2019

## 7. Overview of Annual Budget Process

Below is the draft Annual Budget Process

		Quarter 1			Quarter 2			Quarter 3			Quarter 4		
		June	July	August	September	October	November	December	January	February	March	April	May
	BUDGET												
<b>PHASES</b>													
<b>1. PLANNING PHASE</b>													
<b>Outcomes</b>													
Adopt Process Plan by August 2019													
<b>Activities</b>													
Invitation for stakeholders to participate in processes plan													
Adoption of Process Plan													
<b>2. ANALYSIS PHASE</b>		R100,000											
<b>Outcomes</b>													
Situational Analysis													
<b>Activities</b>													
Invitations for stakeholders to participate in IDP Review													
IDP Review Meeting and Representative Forum													
Community consultation for their needs													
Receive inputs from stakeholders and community													
<b>3. REFINE OBJECTIVES, STRATEGIES AND PROJECTS PHASE</b>		R50,000											
<b>Outcomes</b>													
Strategies links to real situation.													
<b>Activities</b>													
Submit inputs to Director's, Managers and Sector departments													
Outline prioritized development projects													
Design projects/programmes													
Set projects Targets & Indicators													
Budget Allocations (Operational and capital ) Consolidation of the community needs													
<b>4. INTEGRATION PHASE</b>		R50,000											
<b>Outcomes</b>													
Integrated sectoral/departamental projects													
<b>Activities</b>													
Alignment of projects/Adjustment Budget Consolidation of project/plan from Province, District , Sector Department and Municipality													
<b>5. APPROVAL/ADOPTION</b>		R50,000											
<b>Outcomes</b>													
Adoption of 2020/2021 IDP Document													
<b>Activities</b>													
Draft Revised IDP tabled to Council													
Submission of IDP to District and Province													
Final adoption of IDP by Municipal Council													

Dihlabeng 2019/2020 Draft Budget Process											
Month	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
<b>Action</b>											
Establish Budget Committees											
Advertise budget schedules											
Commence process of IDP review											
Determine IDP & budget strategic objectives											
Prepare revenue envelope											
Departmental operational plans developed											
First draft budget prepared											
Start community participation											
Get inputs from bulk suppliers											
Get written comments from bulk suppliers											
Review strategic objectives from state of the nation address											
Review proposed NT increase guidelines											
Finalise operational and capital budget											
Report to Council on state of the budget											
Start compiling NT schedules											
Note transfers of payments from other municipalities											
Get bulk purchase increases											
Table draft budget											
Make draft budget public and invite comments											
Conduct public hearings											
Confirm Provincial and National allocations											
Review DORA											

Conclude public consultation											
Consider public inputs											
Respond to public comments											
Approve budget, IDP and SDBIP											
Submit to National and Provincial Treasury											

## 8. Alignment of Annual Budget and IDP

### VISION, MISSION AND STRATEGIC DEVELOPMENT OBJECTIVES

- **VISION:**

To be people centered, people driven and self- sufficient municipality committed to the provision of effective and quality services to its community”.

- **MISSION:**

A mission statement reflect the way in which Dihlabeng Local Municipality will conduct its everyday tasks. It describes the purposes of the Municipality and the area on which the Municipality should focus in order to achieve its vision

“To provide effective and efficient people centered governance that will facilitate the developmental role of Local Government”.

- **STRATEGIC DEVELOPMENT OBJECTIVES**

Our approach propels the local authority to continue towards building the Developmental State and we will continue to:

- Provide democratic and accountable government for local communities.
- Be responsive to the needs of the local community.
- Ensure the provision of services to communities in a sustainable manner.
- Promote social and economic development.
- Promote safe and healthy environment.
- Encourage the involvement of communities and community organizations in the matters of local government.
- Facilitate the culture of public service and accountability amongst its staff and
- Assign clear responsibilities for the management and co-ordination of administrative units and mechanisms.

- **KEY PRIORITIES**

- Basic Services and Infrastructure Development.
- Local Economic Development.

- Institutional Development and Transformation.
- Good Governance and Transformation.
- Financial Viability and Management.

- **CORE VALUES**

Values are the nexus to our future progress and they are an expression of our emotionalized truths. They serve to guide our decision making and conduct. It is the Devine to the minds of men and women of Dihlabeng to seek and pursue a better life for all, and in no particular order of significance, they are: Dedication, Discipline, Sacrifice and Accountability.

### STRATEGIC GOALS AND PRIORITY AREAS

<b>KPA 1.1: Basic Services and Infrastructure Development. (Ensure the provision of services to communities in a sustainable manner).</b>	
<b>Water and Sanitation.</b> Bulk Services, Install and Maintain Installation & maintenance of Reticulation systems in urban & rural areas. Installation and maintenance of appropriate sanitation facilities in rural and Urban areas. Water provision to informal settlements and farm dwellers in rural areas. Maintenance of existing infrastructure. Upgrading and refurbishment of existing Infrastructure and equipment. Participate in the Blue and Green drop incentive by DWA.	<b>Roads and Storm Water.</b> Construction of new roads. Installation of Storm water systems. Maintenance of Roads & storm water systems. Construction of paved walkways. Maintenance and upgrading of equipment. Rehabilitation of roads according to PMS Upgrade storm water systems. Maintenance and upgrade of bridges. Construction of new bridges.
<b>Electricity</b> Bulk services. Maintenance and upgrading of existing network. Electrification of new developments (Residential, industrial and commercial). Sustainability of power supply Integrated Energy Management. Area lighting. Energy measurement and quantifying. Cognizance to climate change. Anti-tamper management system.	
<b>KPA 1.2: Basic Services and Infrastructure Development. (Ensure the provision of services to communities in a sustainable manner).</b>	
<b>Parks &amp; Cemeteries.</b> Development of Parks and maintenance of Graves.	<b>Sports Arts and Culture.</b> Maintenance of Sports facilities e.g. (Stadiums, Heritage sites)
<b>Public Safety, Emergency and Fire services.</b> Promote healthy environment. Rendering of Fire services. And enforcing Traffic laws. Disaster Management.	<b>Libraries.</b> Construction and maintenance of Libraries.
<b>KPA 2: Local Economic Development: Promote social and economic development.</b>	
<b>Agriculture.</b> Enabling environment for Agronomic growth and development.	<b>Tourism.</b> Enabling environment for Tourism and growth.
<b>Airfield.</b> Enabling economic development through aviation.	<b>Small Medium Enterprises.</b> Development of small businesses.
<b>KPA 3: Institutional Development and Transformation. Facilitate the culture of public service and accountability amongst its staff.</b>	
<b>Human Resources and Performance Management.</b> HR Skills Development. Labour Relations. Recruitment, Selection, Retention, Exit. Policy & Procedure.	

Internal Business processes. Performance Management System.	
<b>KPA 4: Good Governance and Public Participation: Encourage the community and organizations in the matters of local government.</b>	
Ward Committees management. Communications Public participation Fraud and Corruption Risk Management Reporting (Auditing )	
<b>KPA 5: Financial Viability:</b>	
Provide sound financial management. Budgeting Supply Chain Management Revenue Management Expenditure Management Assets Management	

## 9. Overview of Budget-related Policies

### The following policies were unchanged

#### Borrowing, Funds and Reserves

This policy strives to establish a borrowing framework policy for the Municipality and set out the objectives, policies, statutory requirements and guidelines for the borrowing of funds. The policy provides a framework to ensure that the annual budget of Dihlabeng Municipality is fully funded and that all funds and reserves are maintained at the required level to avoid future year non cash backed liabilities. The policy aims to give effect to the requirements and stipulations of the Municipal Finance Management Act and Municipal Budget and Reporting Framework.

#### SCM Policy: Infrastructure & Delivery

This policy establishes the Dihlabeng Local Municipality's policy for infrastructure procurement and delivery management in accordance with the provisions of the regulatory frameworks for procurement and supply chain management. It includes the procurement of goods and services necessary for a new facility to be occupied and used as a functional entity but excludes:

- a) the storage of goods and equipment following their delivery to Dihlabeng Local Municipality which are stored and issued to contractors or to employees;
- b) the disposal or letting of land;
- c) the conclusion of any form of land availability agreement;
- d) the leasing or rental of moveable assets; and
- e) public private partnerships.

#### Budget Policy

The policy aims to give effect to the requirements and stipulations of the Municipal Finance Management Act and Municipal Budget and Reporting Framework in terms of the planning, preparation and approval of the annual and adjustments budgets. The framework for virementations is also explained and regulated in this policy as well as monitoring roles and responsibilities.

#### Accounting Policy

This policy provides the accounting framework applicable to the finances of the municipality and is informed by the Municipal Finance Management Act (Act no 56 of 2003).

#### SCM Policy



Section 111 of the MFMA requires each Municipality and municipal entity to adopt and implement a supply chain management policy, which gives effect to the requirements of the Act. The Preferential Procurement Policy Framework Act, no 5 of 2000 and its accompanying regulations influences and dictates process around the evaluation and awarding of points.

#### Unallocated Receipts Policy

This policy highlights the importance of the recognition or identification of each transaction in order to reflect the substance of each transaction and to ensure the municipality maintains a sound accounting system, in particular the bank deposits and bank transfers.

#### Property Rates Policy

This policy licences the municipality the right to finance the affairs of the municipality by imposing, inter-alia, rates on property.

#### Petty Cash Policy

### **The following policies were reviewed and amended**

#### Travel and Subsistence Policy

This policy dictates the amounts payable for councilors and officials when undertaking authorized business trips. It envelopes travelling (by air or vehicle), accommodation, daily subsistence and incidental costs.

#### Credit Control and Debt Collection Policy

This policy provides a framework to enable Council to proactively manage and collect all money due for services rendered and outstanding property taxes, subject to the provisions of the Municipal Systems Act of 2000 and any other applicable legislation and internal policies of Council.

#### Asset Policy

The Municipal Finance Management Act Number 56 of 2003 will be the legislative framework for the Asset Management Policy whilst Generally Recognised Accounting Practice (GRAP) will be the accounting framework.

The Municipal Council of Dihlabeng is in terms of the MFMA and GRAP obliged to adopt an Asset Management Policy to regulate the effective management of all council's assets.

And whereas the municipal manager as accounting officer of municipal funds, assets and liabilities is responsible for the effective implementation of the asset management policy which regulates the acquisition, safeguarding, maintenance of all assets and disposal of assets where the assets are no longer used to provide a minimum level of basic service as regulated in terms of section 14 of the MFMA. And whereas these assets must be protected over their useful life and may be used in the production or supply of goods and services or for administrative purposes in meeting the municipality's operational requirements.

#### Bad Debt Write Off and Incentive Scheme Policy

This policy provides direction so as to ensure that the household consumers with no or lower income are not denied services due to financial constraint and over burden with debt.

The policy attempts to ease the burden on the debt book and also lessen the burden on the households. Incentive scheme aims to encourage the payment of accounts and incentivise the consumers who settle their accounts in full.

#### Indigent Policy

The key purpose of an indigent subsidy policy is to ensure that households with no or lower income are not denied a reasonable service, and the Municipality Authority is not financially burdened with non-payment of services. Provided that grants are received and funds are available, the indigent subsidy policy should remain intact.

## 10. Overview of Key Budget Assumptions

Municipalities' long-term financial viability depends largely on the extent to which improved and sustainable revenue capacity on the one hand and sound financial management of its resources on the other hand can be achieved. These imperatives necessitate proper multi-year financial planning. Future impacts of revenue streams, expenditure requirements and the financial implications for the community at large (i.e. the potential influence on rates, tariffs and service charges) must be identified and assessed to determine the sustainability of planned interventions, programs, projects and sundry service delivery actions.

Taking these principals into consideration, the following assumptions (*ceteris paribus*) were made and relates to the parameters within which the budget was compiled for the next financial years.

<b>Percentage increase</b>	<b>2020/2021</b>
Property Rates	6%
Water	6%
Electricity	9%
Refuse	6%
Sewer	6%
<b>Collection rates</b>	
Property Rates	80%
Water	80%
Electricity	80%
Refuse	80%
Sewer	80%
<b>Employee Related Costs</b>	
Salaries, Wages & related costs	6,75%
Councillor Remuneration	5,96%
Notch Increment	0%
<b>Other Increases</b>	
Bulk Purchases - Electricity	8,1%

**11. High Level Budget Overview**

<u>Vote</u>	<u>Operating Expenditure</u>	<u>Capital Expenditure</u>	<u>Total Expenditure</u>
Corporate Services	54 152 915,00	85 237,00	54 238 152,00
Municipal Manager	121 465 231,00	140 000,00	121 605 231,00
Political Office	46 873 149,00	90 000,00	46 963 149,00
Finance	101 512 351,00	10 080 000,00	111 592 351,00
Public Works	398 555 339,00	77 417 000,00	475 992 339,00
Community Services	64 719 657,00	1 212 500,00	65 932 157,00
Local Economic Development	11 672 595,00	90 000,00	11 762 595,00
	<b>798 951 237,00</b>	<b>89 114 737,00</b>	<b>888 065 974,00</b>

FS192 Dihlabeng - Table A1 Budget Summary

Description  R thousands	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b><u>Financial Performance</u></b>							
Property rates	153 342	153 342	153 342	85 839	160 262	169 778	172 778
Service charges	404 774	404 774	404 774	270 764	421 161	445 582	458 582
Investment revenue	200	200	200	(558)	212	225	225
Transfers recognised - operational	171 097	171 097	171 097	129 225	183 771	197 316	199 900
Other own revenue	47 227	56 327	56 327	51 176	51 593	76 165	76 165
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>776 641</b>	<b>785 741</b>	<b>785 741</b>	<b>536 446</b>	<b>816 999</b>	<b>889 066</b>	<b>907 650</b>
Employee costs	266 404	266 204	266 204	193 348	284 162	303 846	308 846
Remuneration of councillors	16 829	16 829	16 829	11 311	17 833	18 906	20 973
Depreciation & asset impairment	78 991	78 991	78 991	–	84 263	89 101	94 101
Finance charges	9 200	24 910	24 910	18 838	9 752	10 337	12 337
Materials and bulk purchases	178 147	139 948	139 948	109 263	190 307	205 815	210 815
Transfers and grants	4 500	2 033	2 033	1 724	4 620	5 247	5 247
Other expenditure	216 651	242 410	242 410	133 854	208 014	221 283	230 383
<b>Total Expenditure</b>	<b>770 722</b>	<b>771 325</b>	<b>771 325</b>	<b>468 337</b>	<b>798 951</b>	<b>854 535</b>	<b>882 702</b>
<b>Surplus/(Deficit)</b>	<b>5 918</b>	<b>14 416</b>	<b>14 416</b>	<b>68 109</b>	<b>18 048</b>	<b>34 531</b>	<b>24 948</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	62 008	62 008	62 008	44 082	72 667	65 385	70 596
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>67 926</b>	<b>76 424</b>	<b>76 424</b>	<b>112 191</b>	<b>90 715</b>	<b>99 916</b>	<b>95 544</b>
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>	<b>67 926</b>	<b>76 424</b>	<b>76 424</b>	<b>112 191</b>	<b>90 715</b>	<b>99 916</b>	<b>95 544</b>
<b><u>Capital expenditure &amp; funds sources</u></b>							
<b>Capital expenditure</b>	<b>67 388</b>	<b>71 851</b>	<b>71 851</b>	<b>44 010</b>	<b>104 225</b>	<b>100 964</b>	<b>106 943</b>
Transfers recognised - capital	63 008	63 008	63 008	40 769	87 777	81 385	87 364
Borrowing	–	–	–	–	–	–	–
Internally generated funds	4 380	8 843	8 843	3 241	16 448	19 579	19 579
<b>Total sources of capital funds</b>	<b>67 388</b>	<b>71 851</b>	<b>71 851</b>	<b>44 010</b>	<b>104 225</b>	<b>100 964</b>	<b>106 943</b>
<b><u>Financial position</u></b>							
Total current assets	149 609	149 609	149 609	437 577	162 611	146 896	286 007
Total non current assets	3 092 395	3 096 858	3 096 858	2 444 715	3 155 304	3 165 132	3 096 061
Total current liabilities	266 249	266 249	266 249	712 994	306 180	323 960	363 282
Total non current liabilities	109 319	109 319	109 319	68 602	106 319	108 391	108 593
Community wealth/Equity	2 934 361	2 938 825	2 938 825	2 208 733	2 981 021	2 963 593	2 893 425

<b><u>Cash flows</u></b>							
Net cash from (used) operating	81 459	81 459	81 459	81 459	311 419	327 883	334 361
Net cash from (used) investing	(77 371)	(77 371)	(77 371)	(77 371)	(72 667)	(65 385)	(70 596)
Net cash from (used) financing	(3 483)	(3 483)	(3 483)	(3 483)	(7 800)	(7 800)	(7 800)
<b>Cash/cash equivalents at the year end</b>	605	605	605	605	842 797	1 097 495	1 353 459
<b><u>Cash backing/surplus reconciliation</u></b>							
Cash and investments available	1 208	1 208	1 208	(22 413)	210	325	436
Application of cash and investments	(19 982)	(19 982)	(19 982)	(145 707)	(61 477)	(5 731)	(16 211)
<b>Balance - surplus (shortfall)</b>	21 190	21 190	21 190	123 293	61 686	6 055	16 647
<b><u>Asset management</u></b>							
Asset register summary (WDV)	3 092 395	3 096 858	3 096 858	3 096 858	3 155 304	3 165 132	3 096 061
Depreciation	78 991	78 991	78 991	78 991	84 263	89 101	94 101
Renewal and Upgrading of Existing Assets	8 073	8 724	8 724	8 724	58 877	57 817	60 876
Repairs and Maintenance	12 197	12 193	12 193	12 193	13 381	15 074	15 074

## 12. Overview of the Budget Funding

### Financing the Operational Budget

<b><u>ITEM</u></b>	<b><u>18/19 Budget</u></b>
Property rates	160 262 312,00
Service charges	421 160 773,00
Operational Grants	183 771 000,00
Other revenue	51 804 961,00
<b>Total</b>	<b>816 999 046,00</b>

### Financing the Capital Budget

<b>Funding</b>	<b>Amount</b>
MIG	47 405 000,00
Water Services Infrastructure Grant	15 110 000,00
INEP	10 152 000,00
CRR	16 447 737,00
	<b>89 114 737,00</b>

### 13. Expenditure on Allocation and Grant Programs

#### FS192 Dhlalabeng - Supporting Table SA18 Transfers and grant receipts

Description  R thousand	2020/21 Medium Term Revenue & Expenditure Framework		
	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>RECEIPTS:</b>			
–			
<b><u>Operating Transfers and Grants</u></b>			
<b>National Government:</b>	<b>181 188</b>	<b>197 316</b>	<b>199 900</b>
Local Government Equitable Share	178 688	194 516	197 000
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]	–	–	–
Local Government Financial Management Grant [Schedule 5B]	2 500	2 800	2 900
<b>Provincial Government:</b>	<b>–</b>	<b>–</b>	<b>–</b>
Libraries; Archives and Museums	–	–	–
Specify (Add grant description)	–	–	–
<b>District Municipality:</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Other grant providers:</b>	<b>2 583</b>	<b>–</b>	<b>–</b>
Construction Education and Training SETA	–	–	–
Skill Development and Training	2 583	–	–
<b>Total Operating Transfers and Grants</b>	<b>183 771</b>	<b>197 316</b>	<b>199 900</b>
<b><u>Capital Transfers and Grants</u></b>			
<b>National Government:</b>	<b>72 667</b>	<b>65 385</b>	<b>70 596</b>
Integrated National Electrification Programme	10 152	7 848	10 000
Municipal Infrastructure Grant	47 405	41 537	43 828
Municipal Infrastructure Grant [Schedule 5B]	–	–	–
Regional Bulk Infrastructure Grant	–	–	–
Water Services Infrastructure Grant	15 110	16 000	16 768
<b>Provincial Government:</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>District Municipality:</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Other grant providers:</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total Capital Transfers and Grants</b>	<b>72 667</b>	<b>65 385</b>	<b>70 596</b>
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	<b>256 438</b>	<b>262 701</b>	<b>270 496</b>



## 14. Allocations and Grants made by the Municipality

### FS192 Dhlabeng - Supporting Table SA21 Transfers and grants made by the municipality

Description	2020/21 Medium Term Revenue & Expenditure Framework		
	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand			
<b>Cash Transfers to other municipalities</b>			
<i>Insert description</i>			
<b>Total Cash Transfers To Municipalities:</b>	-	-	-
<b>Cash Transfers to Entities/Other External Mechanisms</b>			
<b>Total Cash Transfers To Entities/Ems'</b>	-	-	-
<b>Cash Transfers to other Organs of State</b>			
<i>S Sec - Compensation Commissioner</i>	-	-	-
<b>Total Cash Transfers To Other Organs Of State:</b>	-	-	-
<b>Cash Transfers to Organisations</b>			
<i>N-P Ub Sch: School Support</i>	-	-	-
<i>Priv Ent: Oth Trf -Library Donat.</i>	-	-	-
<i>Priv Ent: Oth Trf-Mayors' Charity</i>	2 120	2 247	2 247
<b>Total Cash Transfers To Organisations</b>	2 120	2 247	2 247
<b>Cash Transfers to Groups of Individuals</b>			
<b>Total Cash Transfers To Groups Of Individuals:</b>	-	-	-
<b>TOTAL CASH TRANSFERS AND GRANTS</b>	<b>2 120</b>	<b>2 247</b>	<b>2 247</b>

<u>Non-Cash Transfers to other municipalities</u>			
<b>Total Non-Cash Transfers To Municipalities:</b>	-	-	-
<u>Non-Cash Transfers to Entities/Other External Mechanisms</u>			
<b>Total Non-Cash Transfers To Entities/Ems'</b>	-	-	-
<u>Non-Cash Transfers to other Organs of State</u>			
<b>Total Non-Cash Transfers To Other Organs Of State:</b>	-	-	-
<u>Non-Cash Grants to Organisations</u>			
<b>Total Non-Cash Grants To Organisations</b>	-	-	-
<u>Groups of Individuals</u>			
Hh Oth Trans: Epwp - Skills Dev & Train	-	-	-
Hh: Bursaries Non-Employee Cash	2 500	3 000	3 000
<b>Total Non-Cash Grants To Groups Of Individuals:</b>	2 500	3 000	3 000
<b>TOTAL NON-CASH TRANSFERS AND GRANTS</b>	2 500	3 000	3 000
<b>TOTAL TRANSFERS AND GRANTS</b>	4 620	5 247	5 247

## 15. Councilor Allowances and Employee Benefits

### FS192 Dihlabeng - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	2020/21 Medium Term Revenue & Expenditure Framework		
	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand			
–	G	H	I
<b><u>Councillors (Political Office Bearers plus Other)</u></b>			
Basic Salaries and Wages	15 565	16 499	18 566
Pension and UIF Contributions			
Medical Aid Contributions			
Motor Vehicle Allowance			
Cellphone Allowance	873	926	926
Housing Allowances			
Other benefits and allowances	1 394	1 480	1 480
<b>Sub Total - Councillors</b>	<b>17 833</b>	<b>18 906</b>	<b>20 973</b>
<b>% increase</b>	<b>–</b>	<b>6,0%</b>	<b>10,9%</b>
<b><u>Senior Managers of the Municipality</u></b>			
Basic Salaries and Wages	4 947	5 293	5 293
Pension and UIF Contributions	6	7	7
Medical Aid Contributions	–	–	–
Overtime	–	–	–
Performance Bonus	–	–	–
Motor Vehicle Allowance	1 547	1 652	1 652
Cellphone Allowance	69	73	73
Housing Allowances	–	–	–
Other benefits and allowances	–	–	–
Payments in lieu of leave	200	200	200
Long service awards	–	–	–
Post-retirement benefit obligations	–	–	–
<b>Sub Total - Senior Managers of Municipality</b>	<b>6 769</b>	<b>7 225</b>	<b>7 225</b>
<b>% increase</b>	<b>–</b>	<b>6,7%</b>	<b>–</b>
<b><u>Other Municipal Staff</u></b>			
Basic Salaries and Wages	173 679	185 896	190 896
Pension and UIF Contributions	32 746	35 034	35 034
Medical Aid Contributions	21 250	22 739	22 739

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Overtime	8 071	8 424	8 424
Performance Bonus	15 669	16 766	16 766
Motor Vehicle Allowance	6 232	6 650	6 650
Cellphone Allowance	407	434	434
Housing Allowances	647	692	692
Other benefits and allowances	12 823	13 710	13 710
Payments in lieu of leave	1 537	1 644	1 644
Long service awards	1 554	1 661	1 661
Post-retirement benefit obligations	2 778	2 972	2 972
<b>Sub Total - Other Municipal Staff</b>	<b>277 394</b>	<b>296 621</b>	<b>301 621</b>
<b>% increase</b>	<b>-</b>	<b>6,9%</b>	<b>1,7%</b>
<b>Total Parent Municipality</b>	<b>301 995</b>	<b>322 752</b>	<b>329 819</b>
	<b>-</b>	<b>6,9%</b>	<b>2,2%</b>
<b><u>Board Members of Entities</u></b>			
Basic Salaries and Wages			
Pension and UIF Contributions			
Medical Aid Contributions			
Overtime			
Performance Bonus			
Motor Vehicle Allowance			
Cellphone Allowance			
Housing Allowances			
Other benefits and allowances			
Board Fees			
Payments in lieu of leave			
Long service awards			
Post-retirement benefit obligations			
<b>Sub Total - Board Members of Entities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>% increase</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Senior Managers of Entities</u></b>			
Basic Salaries and Wages			
Pension and UIF Contributions			
Medical Aid Contributions			
Overtime			
Performance Bonus			
Motor Vehicle Allowance			
Cellphone Allowance			
Housing Allowances			
Other benefits and allowances			
Payments in lieu of leave			

Long service awards			
Post-retirement benefit obligations			
<b>Sub Total - Senior Managers of Entities</b>	-	-	-
<b>% increase</b>	-	-	-
<b><u>Other Staff of Entities</u></b>			
Basic Salaries and Wages			
Pension and UIF Contributions			
Medical Aid Contributions			
Overtime			
Performance Bonus			
Motor Vehicle Allowance			
Cellphone Allowance			
Housing Allowances			
Other benefits and allowances			
Payments in lieu of leave			
Long service awards			
Post-retirement benefit obligations			
<b>Sub Total - Other Staff of Entities</b>	-	-	-
<b>% increase</b>	-	-	-
<b>Total Municipal Entities</b>	-	-	-
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>			
	301 995	322 752	329 819
<b>% increase</b>	-	6,9%	2,2%
<b>TOTAL MANAGERS AND STAFF</b>	284 162	303 846	308 846

## 16. Monthly targets for Revenue, Expenditure and Cash Flows

FS192 Dhlalabeng - Supporting Table  
SA30 Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2020/21												Medium Term Revenue and Expenditure Framework		
	July	Aug ust	Sept.	Octo ber	Nove mber	Dece mber	Janu ary	Febr uary	Marc h	April	May	June	Budg et Year 2020/ 21	Budg et Year +1 2021/ 22	Budg et Year +2 2022/ 23
<b>Cash Receipts By Source</b>													1		
Property rates	11 352	11 352	11 352	11 352	11 352	11 352	11 352	11 352	11 352	11 352	11 352	11 352	136 223	144 311	146 861
Service charges - electricity revenue	16 317	16 317	16 317	16 317	16 317	16 317	16 317	16 317	16 317	16 317	16 317	16 317	195 800	206 916	211 166
Service charges - water revenue	5 489	5 489	5 489	5 489	5 489	5 489	5 489	5 489	5 489	5 489	5 489	5 489	65 863	69 815	69 815
Service charges - sanitation revenue	4 310	4 310	4 310	4 310	4 310	4 310	4 310	4 310	4 310	4 310	4 310	4 310	51 719	54 822	58 222
Service charges - refuse revenue	3 717	3 717	3 717	3 717	3 717	3 717	3 717	3 717	3 717	3 717	3 717	3 717	44 604	47 192	50 592
Rental of facilities and equipment	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Interest earned - external investments	253	253	253	253	253	253	253	253	253	253	253	253	3 037	3 162	3 162
Interest earned - outstanding debtors	15	15	15	15	15	15	15	15	15	15	15	15	180	191	191
Dividends received	2	2	2	2	2	2	2	2	2	2	2	2	30	33	33
Fines, penalties and forfeits	569	569	569	569	569	569	569	569	569	569	569	569	827	187	187
Licences and permits	74	74	74	74	74	74	74	74	74	74	74	74	893	935	935
Agency services	185	185	185	185	185	185	185	185	185	185	185	185	2 220	2 510	2 510
Transfer receipts - operational	11	11	11	11	11	11	11	11	11	11	11	11	126	134	134
Other revenue	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	15 314	15 314	15 314	15 314	15 314	15 314	15 314	15 314	15 314	15 314	15 314	15 314	183 771	197 316	199 900
	520	520	520	520	520	520	520	520	520	520	520	520	6 239	22 187	22 187
<b>Cash Receipts by Source</b>	<b>60 125</b>	<b>60 125</b>	<b>60 125</b>	<b>60 125</b>	<b>60 125</b>	<b>60 125</b>	<b>60 125</b>	<b>60 125</b>	<b>60 125</b>	<b>60 125</b>	<b>60 125</b>	<b>60 125</b>	<b>721 503</b>	<b>782 678</b>	<b>798 862</b>
<b>Other Cash Flows by Source</b>															
Transfer receipts - capital	10 000		20 000		8 000				30 000			4 667	72 667	65 385	70 596

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Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)															
Proceeds on disposal of PPE															
Short term loans															
Borrowing long term/refinancing															
Increase (decrease) in consumer deposits															
Decrease (Increase) in non-current debtors															
Decrease (increase) other non-current receivables															
Decrease (increase) in non-current investments															
<b>Total Cash Receipts by Source</b>	<b>70 125</b>	<b>60 125</b>	<b>80 125</b>	<b>60 125</b>	<b>68 125</b>	<b>60 125</b>	<b>60 125</b>	<b>60 125</b>	<b>90 125</b>	<b>60 125</b>	<b>60 125</b>	<b>64 792</b>	<b>794 170</b>	<b>848 063</b>	<b>869 458</b>
<b>Cash Payments by Type</b>															
Employee related costs	16 576	16 576	16 576	16 576	16 576	16 576	16 576	16 576	16 576	16 576	16 576	16 576	198 914	212 692	216 193
Remuneration of councillors	1 040	1 040	1 040	1 040	1 040	1 040	1 040	1 040	1 040	1 040	1 040	1 040	12 483	13 234	14 681
Finance charges	569	569	569	569	569	569	569	569	569	569	569	569	6 826	7 236	8 636
Bulk purchases - Electricity	10 299	10 299	10 299	10 299	10 299	10 299	10 299	10 299	10 299	10 299	10 299	63 264	176 550	190 909	195 909
Bulk purchases - Water & Sewer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other materials	802	802	802	802	802	802	802	802	802	802	802	802	9 630	10 435	10 435
Contracted services	4 529	4 529	4 529	4 529	4 529	4 529	4 529	4 529	4 529	4 529	4 529	4 529	54 349	58 614	62 184
Transfers and grants - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and grants - other	308	308	308	308	308	308	308	308	308	308	308	308	3 696	4 198	4 198
Other expenditure	1 692	1 692	1 692	1 692	1 692	1 692	1 692	1 692	1 692	1 692	1 692	1 692	20 303	22 863	22 863
<b>Cash Payments by Type</b>	<b>35 816</b>	<b>35 816</b>	<b>35 816</b>	<b>35 816</b>	<b>35 816</b>	<b>35 816</b>	<b>35 816</b>	<b>35 816</b>	<b>35 816</b>	<b>35 816</b>	<b>35 816</b>	<b>88 781</b>	<b>482 751</b>	<b>520 181</b>	<b>535 098</b>
<b>Other Cash Flows/Payments by Type</b>															
Capital assets	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 667	72 667	65 385	70 596
Repayment of borrowing	650	650	650	650	650	650	650	650	650	650	650	650	7 800	7 800	7 800

## DIHLABENG MUNICIPALITY DRAFT ANNUAL BUDGET - MARCH 2020

Other Cash Flows/Payments															
Total Cash Payments by Type	42 466	42 466	42 466	42 466	42 466	42 466	42 466	42 466	42 466	42 466	42 466	96 098	563 218	593 366	613 494
NET INCREASE/(DECREASE) IN CASH HELD	27 660	17 660	37 660	17 660	25 660	17 660	17 660	17 660	47 660	17 660	17 660	(31 305)	230 952	254 698	255 965
Cash/cash equivalents at the month/year begin:	611 845	639 505	657 164	694 824	712 484	738 144	755 803	773 463	791 123	838 782	856 442	874 102	611 845	842 797	097 495
Cash/cash equivalents at the month/year end:	639 505	657 164	694 824	712 484	738 144	755 803	773 463	791 123	838 782	856 442	874 102	842 797	842 797	097 495	353 459



**17. Contracts having future budgetary implications**

None.

## 18. Detailed Capital Budgets

FS192 Dhlalabeng - Supporting Table SA36 Detailed capital budget

R thousand			2020/21 Medium Term Revenue & Expenditure Framework		
			Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Function	Project Description	Asset Sub-Class			
Parent municipality: List all capital projects grouped by Function					
Executive And Council	Capital:Non-Infrastructure:New:Machinery And Equipment	Machinery And Equipment	230	240	240
Finance And Administration	Capital:Non-Infrastructure:New:Machinery And Equipment	Machinery And Equipment	305	311	311
Finance And Administration	Capital:Non-Infrastructure:New:Transport Assets	Transport Assets	5 573	8 648	8 648
Finance And Administration	Capital:Non-Infrastructure:New:Transport Assets	Transport Assets	10 000	10 000	10 000
Finance And Administration	Capital:Non-Infrastructure:Existing:Upgrading:Furniture And Office Equipment	Furniture And Office Equipment	250	280	280
Planning And Development	Capital:Infrastructure:Existing:Renewal:Roads Infrastructure:Roads	Roads	11 892	–	–
Planning And Development	Capital:Infrastructure:Existing:Renewal:Roads Infrastructure:Roads	Roads	15 390	–	–
Planning And Development	Capital:Infrastructure:Existing:Upgrading:Water Supply Infrastructure:Water Treatment Works	Water Treatment Works	11 500	16 000	16 768
Planning And Development	Capital:Infrastructure:Existing:Upgrading:Sanitation Infrastructure:Waste Water Treatment Works	Waste Water Treatment Works	4 000	–	–
Planning And Development	Capital:Infrastructure:Existing:Upgrading:Sanitation Infrastructure:Waste Water Treatment Works	Waste Water Treatment Works	3 610	–	–
Planning And Development	Capital:Infrastructure:Existing:Upgrading:Roads Infrastructure:Roads	Roads	3 235	41 537	43 828
Planning And Development	Capital:Infrastructure:New:Electrical Infrastructure:Mv Networks	Mv Networks	10 152	7 848	10 000
Planning And Development	Capital:Infrastructure:New:Water Supply Infrastructure:Reservoirs	Reservoirs	15 110	16 000	16 768
Planning And Development	Capital:Infrastructure:New:Water Supply Infrastructure:Water Treatment Works	Water Treatment Works	1 750	–	–
Planning And Development	Capital:Infrastructure:New:Sanitation Infrastructure:Waste Water Treatment Works	Waste Water Treatment Works	450	–	–
Planning And Development	-Infrastructure:Existing:Renewal:Community Assets:Sport And Recreation Facilities:Outdoor Facilities	Outdoor Facilities	9 000	–	–
Planning And Development	Capital:Non-Infrastructure:New:Machinery And Equipment	Machinery And Equipment	90	100	100
Planning And Development	Capital:Non-Infrastructure:New:Community Assets:Community Facilities:Cemeteries/Crematoria	Cemeteries/Crematoria	1 688	–	–
Parent Capital expenditure			104 225	100 964	106 943
Total Capital expenditure			104 225	100 964	106 943

## 19. Legislation compliance

Compliance with the MFMA implementation requirements has been substantially adhered to through the following:

- Budget and Treasury Office - A Budget Office and Treasury Office has been established in accordance with the MFMA.
- Budgeting - The annual budget is prepared in accordance with the requirements prescribed by National Treasury and the MFMA.
- Financial reporting - 100% compliance with regards to monthly, quarterly and annual reporting to the Executive Mayor, Mayoral Committee, Council, Provincial and National Treasury.
- Annual Report - The annual report is prepared in accordance with the MFMA and National Treasury requirements.

**20. Other supporting documents**

None.

## **21. Quality certificate**

The Quality Certificate is attached on Appendix 7.